

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Manchester Township</b>	County <b>Washtenaw</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>10/17/05</b>	Date Accountant Report Submitted to State: <b>12/12/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

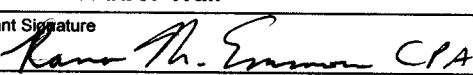
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Post, Smythe, Lutz and Ziel LLP</b>			
Street Address <b>1034 W. Ann Arbor Trail</b>	City <b>Plymouth</b>	State <b>MI</b>	ZIP <b>48170</b>
Accountant Signature 		Date <b>12/12/05</b>	

MANCHESTER TOWNSHIP  
Washtenaw County, Michigan

AUDITED FINANCIAL REPORT

For Fiscal Year Ended June 30, 2005

MANCHESTER TOWNSHIP  
For the Year Ended June 30, 2005

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## FINANCIAL SECTION

# POST, SMYTHE, LUTZ AND ZIEL LLP

*Certified Public Accountants*

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## Independent Auditor's Report

October 17, 2005

To the Board of Trustees  
Manchester Township  
Manchester, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Township, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manchester Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

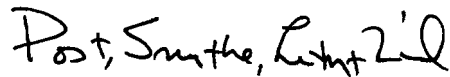
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Township as of June 30, 2005, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Board of Trustees  
Manchester Township  
October 17, 2005

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manchester Township's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink, appearing to read "Post, Smythe, Lutz & Ziel".

POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

# TOWNSHIP OF MANCHESTER

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275 SOUTH MACOMB STREET  
Post Office Box 668  
MANCHESTER, MICHIGAN 48158  
PHONE: 734-428-7090  
e-mail: <http://twp-manchester.org>

## Management's Discussion and Analysis

As management of Manchester Township, we offer readers of Manchester Township's financial statements this narrative overview and analysis of the financial activities of Manchester Township for the fiscal year ended June 30, 2005, within the limitations of the cash basis of accounting.

### Financial Highlights

- The assets of Manchester Township exceeded its liabilities at the close of the most recent fiscal year by \$995,650, on the cash basis of accounting (*net assets*). All of this is available to be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's General Fund ended the year with fund balance of \$621,917.
- Revenues for governmental funds exceeded expenditures, on a cash basis, by \$81,638.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Manchester Township's basic financial statements. Manchester Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Manchester Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Manchester Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Manchester Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year, on the cash basis of accounting.

The government-wide financial statements can be found on pages 7-8 of this report.

**Basis of Accounting.** The Township has elected to present its financial statements on the cash receipts and disbursements method of accounting, which is a basis of

accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Township's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets, and their related revenues, (such as fixed assets, and accounts receivable), and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussions within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Manchester Township, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Manchester Township are divided into two categories: governmental and fiduciary.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Manchester Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Road Improvements and Maintenance Funds, which are considered to be "Major" Funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the major funds (General and Road Improvement and Maintenance funds) to demonstrate compliance with the annual appropriated budgets.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Manchester Township's own programs.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-21.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for non-major funds, immediately following the required supplementary information on pages 24-25 of the report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Manchester Township, assets exceeded liabilities by \$995,650, on a cash basis, at the close of the most recent fiscal year. Since the financial statements are prepared on the cash receipts and disbursements method, the "net assets" consist of unrestricted assets (cash).

The government's net assets increased by \$81,638 during the current fiscal year. This increase represents the degree that receipts from revenues exceed cash disbursements and the fact that no significant capital expenditures were made.

### **Financial Analysis of the Government's Funds**

As noted earlier, Manchester Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of Manchester Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Manchester Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current year, unreserved fund balance (on a cash basis) was \$606,461, and total fund balance was \$621,917. The Township's general fund increased by \$43,326. The increase was the result of recurring receipts of revenues exceeding operating cash disbursements; no significant capital expenditures were made.

The Road Improvements and Maintenance Fund had a total fund balance of \$217,941; the Township intends on using the surplus for larger future road improvements.

## **General Fund Budgetary Highlights**

There were no differences between beginning and final budgets other than a few amendments during the year between activities or departments.

## **Capital Asset and Debt Administration**

As mentioned previously, the Township has elected to present its financial statements on the cash receipts and disbursements method of accounting, which is a basis of accounting other than generally accepted accounting principles. Accordingly, capital assets are not presented. The Township has a single long term debt obligation which had the following activity:

Balance beginning of the year	\$152,286
Principal Payment	<u>49,269</u>
Balance end of year	<u>\$103,017</u>

## **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2005-2006 fiscal year. Manchester Township budgeted for a decrease in state shared revenue. Manchester Township's millage rate was reduced again by the Headlee Amendment rollback for operating purposes. These factors were considered in preparing Manchester Township's budget for the 2005-2006 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of Manchester Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, Manchester Township.

## BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF MANCHESTER**  
**Statement of Net Assets - Cash Basis**  
**June 30, 2005**

	<b><u>Governmental Activities</u></b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ <u>995,650</u>
<b><u>NET ASSETS</u></b>	
Restricted for:	
Road Improvements	\$ 217,941
Fire Department	155,792
Recycling	15,456
Unrestricted	<u>606,461</u>
Total Net Assets	\$ <u>995,650</u>

**TOWNSHIP OF MANCHESTER**  
**Statement of Activities - Cash Basis**  
**For the Year Ended June 30, 2005**

<b><u>Functions/Programs</u></b>	<b><u>Cash Disbursements</u></b>	<b><u>Program Cash Receipts</u></b>		<b><u>Net (Disbursement) Receipts and Changes in Net Assets</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	
Governmental Activities:				
General Government	\$ 257,354	\$ 66,484	\$ -	\$ (190,870)
Public Safety	173,762	7,360	109,092	(57,310)
Public Works	23,716	1,452	1,790	(20,474)
Community Development	35,654	-	-	(35,654)
Capital Outlay	22,352	-	-	(22,352)
Debt Service-Principal	49,269	-	-	(49,269)
Debt Service-Interest	4,568	-	-	(4,568)
Net program (disbursements) receipts	<u>566,675</u>	<u>75,296</u>	<u>110,882</u>	<u>(380,497)</u>
Total	\$ <u>566,675</u>	\$ <u>75,296</u>	\$ <u>110,882</u>	<u>(380,497)</u>

General Receipts:	
Property Taxes	299,747
State Shared Revenue	150,905
Unrestricted Investment	
Earnings	<u>11,483</u>
Total General Receipts	<u>462,135</u>
Change in Net Assets	81,638
Net Assets - Beginning	<u>914,012</u>
Net Assets - Ending	\$ <u>995,650</u>

**TOWNSHIP OF MANCHESTER**  
**Balance Sheet - Cash Basis**  
**Governmental Funds**  
**June 30, 2005**

	<u>General</u>	<u>Road Improvements And Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 627,192	\$ 214,851	\$ 153,607	\$ 995,650
Due from Other Funds	<u>-</u>	<u>3,090</u>	<u>2,185</u>	<u>5,275</u>
Total Assets	<u>\$ 627,192</u>	<u>\$ 217,941</u>	<u>\$ 155,792</u>	<u>\$ 1,000,925</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Due to Other Funds	\$ <u>5,275</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,275</u>
Fund Balance:				
Reserved for:				
Recycling	15,456	-	-	15,456
Road Improvements	-	217,941	-	217,941
Fire Equipment	-	-	138,509	138,509
Fire Building Improvements	-	-	17,283	17,283
Unreserved, reported in:				
General Fund	606,461	-	-	606,461
Total Fund Balance	<u>621,917</u>	<u>217,941</u>	<u>155,792</u>	<u>995,650</u>
Total Liabilities and Fund Balance	<u>\$ 627,192</u>	<u>\$ 217,941</u>	<u>\$ 155,792</u>	<u>\$ 1,000,925</u>

**TOWNSHIP OF MANCHESTER**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Cash Basis**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<b><u>General</u></b>	<b><u>Road Improvements And Maintenance Fund</u></b>	<b><u>Other Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
Revenues:				
Property Taxes	\$ 206,644	\$ 54,345	\$ 38,758	\$ 299,747
Administration Fee	53,269	-	-	53,269
Special Assessments	1,452	-	-	1,452
Intergovernmental-State	150,905	-	-	150,905
Intergovernmental-County	1,790	-	-	1,790
Intergovernmental-Municipal/Fire	109,092	-	-	109,092
Licenses and Permits	7,360	-	-	7,360
Charges for Services	9,255	-	-	9,255
Interest	8,282	1,778	1,423	11,483
Other	3,960	-	-	3,960
Total Revenues	<u>552,009</u>	<u>56,123</u>	<u>40,181</u>	<u>648,313</u>
Expenditures:				
General Government	257,354	-	-	257,354
Public Safety	167,122	-	6,640	173,762
Public Works	15,186	8,530	-	23,716
Community Development	35,654	-	-	35,654
Capital Outlay	-	-	22,352	22,352
Debt Service-Principal	-	-	49,269	49,269
Debt Service-Interest	-	-	4,568	4,568
Total Expenditures	<u>475,316</u>	<u>8,530</u>	<u>82,829</u>	<u>566,675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>76,693</u>	<u>47,593</u>	<u>(42,648)</u>	<u>81,638</u>
Other Financing Sources (Uses):				
Operating Transfers In	29,883	-	63,250	93,133
Operating Transfers Out	<u>(63,250)</u>	<u>-</u>	<u>(29,883)</u>	<u>(93,133)</u>
Total Other Financing Sources (Uses)	<u>(33,367)</u>	<u>-</u>	<u>33,367</u>	<u>-</u>
Net Change in Fund Balance	43,326	47,593	(9,281)	81,638
Fund Balance, July 1	<u>578,591</u>	<u>170,348</u>	<u>165,073</u>	<u>914,012</u>
Fund Balance, June 30	<u>\$ 621,917</u>	<u>\$ 217,941</u>	<u>\$ 155,792</u>	<u>\$ 995,650</u>

**TOWNSHIP OF MANCHESTER**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities - Cash Basis**  
**June 30, 2005**

	<b><u>Agency Funds</u></b>
<b><u>ASSETS</u></b>	
Cash	\$ <u>8,698</u>
<b><u>LIABILITIES</u></b>	
Due to Other	\$ <u>8,698</u>

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manchester Township is an unincorporated local unit of government (general law township) governed by the elected Board of Trustees. The Township provides the following services provided by law: General Government, Public Safety (Fire Protection) Planning and Zoning activities.

As discussed further in Note 1C , these financial statements are presented on the cash receipts and disbursements basis of accounting, which differs from accounting principles generally acceptable in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of Manchester Township contain all of the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependant on the Township. Based on the foregoing criteria, no other organizations are included or excluded from the Township's Annual Report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements – Continued

Separate financial statements are provided for the governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and fiduciary activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the received and disbursement method. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and capital assets) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Improvements and Maintenance Fund is a special revenue fund used to account for the repair, maintenance, and construction activities for roads located within the Township, financed by a voter approved tax levy.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee Township or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Township are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets

As discussed in note I C., the Township presents both the governmental wide, and fund financial statements on the cash receipt and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because of this presentation, capital assets are treated as expenditures of a governmental fund when paid. They are not included as assets on the Statement of Net Assets, as it would have been presented in statements prepared in accordance with generally accepted accounting principles.

4. Long-term Obligations

As discussed in note I C., the Township presents both the governmental wide, and fund financial statements on the cash receipt and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because of this presentation, long-term debt is not recognized as a liability of a governmental fund until it is paid. The remaining portion of such obligations is not reported in the Statement of Net Assets, as it would have been presented in statements prepared in accordance with generally accepted accounting principles.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A public hearing and adoption of the budget is required prior to commencement of the fiscal year.
2. On or before June 30, the tax rate is set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
3. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on the cash receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level.
4. Budget appropriations lapse at year end.
5. The Township Board may authorize supplemental appropriations (budget amendments) during the year. During fiscal year 2005 several budget amendments were made.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Township has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Cemetery	\$5,000	\$6,780	\$1,780

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. Deposits (cash and certificates of deposit) are carried at cost which approximates market value.

Custodial Credit Risk is the risk that in the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of June 30, 2005, the Township's book balance of its deposits was \$1,004,348. The bank balance was \$997,075 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 224,518
Uninsured and Uncollateralized	<u>772,557</u>
Total	<u>\$ 997,075</u>

A reconciliation of cash to the accompanying financial statements follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$ 995,650
Fiduciary Statement of Net Assets	<u>8,698</u>
Total	<u>\$1,004,348</u>

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

Cash-Demand Deposit Accounts	\$ 571,174
Cash-Money Market Accounts (Share price=\$1)	\$ 285,198
Cash-Pooled Funds (Share price=\$1)	\$ 140,703

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in any single issuer.

B. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Improvement	General Fund	\$ 3,090
Fire Equipment Millage	General Fund	<u>2,185</u>
		<u>\$ 5,275</u>

2. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	Special Housing	\$57,500
General Fund	Special Housing	5,750
Fire Equip. Millage Fund	General Fund	<u>29,883</u>
		<u>\$93,133</u>

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS - Continued

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended June 30, 2005:

	Balance July 1, 2004	Add: Additional Debt Incurred	Less: Retirements and Payments on Debt	Balance June 30, 2005	Due Within One Year
Governmental Activities:					
Notes Payable	<u>\$152,286</u>	<u>\$ -</u>	<u>\$49,269</u>	<u>\$103,017</u>	<u>\$50,747</u>

The following is a summary of general obligation debt outstanding of the Township as of June 30, 2005:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
Notes Payable	1	3.0%	2007	<u>\$103,017</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2005 are as follows:

	<u>Governmental Activities</u>	
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 50,747	\$ 3,091
2007	<u>52,270</u>	<u>1,568</u>
	<u>\$103,017</u>	<u>\$ 4,659</u>

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS - Continued

D. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2005, is presented below:

	<u>General Operating</u>	<u>Special Revenue</u>	<u>Totals</u>
Reserved for:			
Recycling	\$ 15,456	\$ -	\$ 15,456
Fire Equipment	-	138,509	138,509
Fire Building Improvements	-	17,283	17,283
Road Improvements and Maintenance	-	<u>217,941</u>	<u>217,941</u>
Total Reserved	<u>15,456</u>	<u>373,733</u>	<u>389,189</u>
Unreserved:			
Designated for:			
Subsequent Year's Expenditures	196,642	-	196,642
Undesignated	<u>409,819</u>	-	<u>409,819</u>
Total Unreserved	<u>606,461</u>	-	<u>606,461</u>
Total Fund Equity	<u>\$621,917</u>	<u>\$373,733</u>	<u>\$995,650</u>

E. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund.

The Township is permitted by State law to levy taxes up to \$1.16 per \$1,000 of equalized valuation for general government services. The following is a summary of the tax rates levied on the 2004 tax roll and the source of authorization:

		Per \$1,000 of State Equalized Value			
<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate (Pre Rollback)*</u>	<u>Authorized Rate (Post Rollback)*</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	Charter	1.1600	0.9111	0.9088	0.0023
Operating	Extra Voted	0.2500	0.2500	0.2500	-
Road	Extra Voted	0.3500	0.3500	0.3500	-
Fire Equipment	Extra Voted	0.2500	0.2500	0.2500	-

\*Rollback refers to required reduction in millage rates to comply with provisions of state law (211.34d).

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2005

IV. OTHER INFORMATION

Risk Management

Manchester Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF MANCHESTER**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Cash Basis**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Property Taxes	\$ 151,710	\$ 151,710	\$ 206,644	\$ 54,934
Administration Fee	47,500	47,500	53,269	5,769
Special Assessments	2,500	2,500	1,452	(1,048)
Intergovernmental-State	130,000	130,000	150,905	20,905
Intergovernmental-County	50	50	1,790	1,740
Intergovernmental-Municipal/Fire	117,400	117,400	109,092	(8,308)
Licenses and Permits	3,750	3,750	7,360	3,610
Charges for Services	3,000	3,000	9,255	6,255
Interest	9,400	9,400	8,282	(1,118)
Other	2,836	2,836	3,960	1,124
Total Revenues	<u>468,146</u>	<u>468,146</u>	<u>552,009</u>	<u>83,863</u>
Expenditures:				
General Government:				
Trustees	7,980	7,980	7,530	450
Supervisor	28,000	28,000	20,000	8,000
Assessing	51,500	51,500	45,331	6,169
Clerk	30,000	30,000	30,000	-
Elections	9,000	12,000	9,092	2,908
Treasurer	28,000	28,000	28,000	-
Cemetery	5,000	5,000	6,780	(1,780)
Professional Fees	15,500	19,500	17,037	2,463
Other	145,132	138,132	93,584	44,548
	<u>320,112</u>	<u>320,112</u>	<u>257,354</u>	<u>62,758</u>
Public Safety:				
Fire Department	195,000	195,000	159,132	35,868
Stand-by Fire	11,000	11,000	7,990	3,010
	<u>206,000</u>	<u>206,000</u>	<u>167,122</u>	<u>38,878</u>
Public Works:				
Road Maintenance	30,000	30,000	15,186	14,814
Community Development:				
Planning Commission	32,000	32,000	20,093	11,907
Zoning	17,000	17,000	15,561	1,439
	<u>49,000</u>	<u>49,000</u>	<u>35,654</u>	<u>13,346</u>
Total Expenditures	<u>605,112</u>	<u>605,112</u>	<u>475,316</u>	<u>129,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(136,966)</u>	<u>(136,966)</u>	<u>76,693</u>	<u>213,659</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	29,883	29,883
Operating Transfers Out	(66,000)	(66,000)	(63,250)	2,750
Total Other Financing Sources (Uses)	<u>(66,000)</u>	<u>(66,000)</u>	<u>(33,367)</u>	<u>32,633</u>
Net Change in Fund Balance	(202,966)	(202,966)	43,326	246,292
Fund Balance, July 1	<u>578,591</u>	<u>578,591</u>	<u>578,591</u>	<u>-</u>
Fund Balance, June 30	\$ <u>375,625</u>	\$ <u>375,625</u>	\$ <u>621,917</u>	\$ <u>246,292</u>

**TOWNSHIP OF MANCHESTER**  
**Road Improvements and Maintenance Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Cash Basis**  
**For the Year Ended June 30, 2005**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Variance with Final Budget Positive (Negative)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>		
Revenues:				
Property Taxes	\$ -	\$ -	\$ 54,345	\$ 54,345
Intergovernmental-State	300	300	-	(300)
Interest	<u>1,200</u>	<u>1,200</u>	<u>1,778</u>	<u>578</u>
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>56,123</u>	<u>54,623</u>
Expenditures:				
Road Maintenance	<u>50,000</u>	<u>50,000</u>	<u>8,530</u>	<u>41,470</u>
Net Change in Fund Balance	(48,500)	(48,500)	47,593	96,093
Fund Balance, July 1	<u>170,348</u>	<u>170,348</u>	<u>170,348</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 121,848</u>	<u>\$ 121,848</u>	<u>\$ 217,941</u>	<u>\$ 96,093</u>

OTHER SUPPLEMENTARY INFORMATION

**TOWNSHIP OF MANCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet - Cash Basis**  
**June 30, 2005**

	<b><u>Fire Equipment Fund</u></b>	<b><u>Special Housing Fund</u></b>	<b><u>Fire Equipment Millage Fund</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>				
Cash	\$ 53,064	\$ 17,283	\$ 83,260	\$ 153,607
Due from Other Funds	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>2,185</u>
Total Assets	<u>\$ 53,064</u>	<u>\$ 17,283</u>	<u>\$ 85,445</u>	<u>\$ 155,792</u>
<b><u>FUND BALANCE</u></b>				
Reserved for Fire Equipment	\$ 53,064	\$ -	\$ 85,445	\$ 138,509
Reserved for Fire Building Improvements	<u>-</u>	<u>17,283</u>	<u>-</u>	<u>17,283</u>
Total Fund Balance	<u>\$ 53,064</u>	<u>\$ 17,283</u>	<u>\$ 85,445</u>	<u>\$ 155,792</u>

**TOWNSHIP OF MANCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Cash Basis**  
**For the Year Ended June 30, 2005**

	<b>Fire Equipment Fund</b>	<b>Special Housing Fund</b>	<b>Fire Equipment Millage Fund</b>	<b>Total</b>
Revenues:				
Property Taxes	\$ -	\$ -	\$ 38,758	\$ 38,758
Interest	843	126	454	1,423
Total Revenues	<u>843</u>	<u>126</u>	<u>39,212</u>	<u>40,181</u>
Expenditures:				
Public Safety:				
Building Repairs & Maintenance	2,574	4,066	-	6,640
Capital Outlay	22,352	-	-	22,352
Debt Service-Principal	49,269	-	-	49,269
Debt Service-Interest	4,568	-	-	4,568
Total Expenditures	<u>78,763</u>	<u>4,066</u>	<u>-</u>	<u>82,829</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(77,920)</u>	<u>(3,940)</u>	<u>39,212</u>	<u>(42,648)</u>
Other Financing Sources (Uses):				
Operating Transfers In	57,500	5,750	-	63,250
Operating Transfers Out	-	-	(29,883)	(29,883)
Total Other Financing Sources (Uses)	<u>57,500</u>	<u>5,750</u>	<u>(29,883)</u>	<u>33,367</u>
Net Change in Fund Balance	(20,420)	1,810	9,329	(9,281)
Fund Balance, July 1	<u>73,484</u>	<u>15,473</u>	<u>76,116</u>	<u>165,073</u>
Fund Balance, June 30	\$ <u>53,064</u>	\$ <u>17,283</u>	\$ <u>85,445</u>	\$ <u>155,792</u>